WEEKLY ECONOMIC REVIEW

OCTOBER 14, 2005

Canada's trade surplus increased to $5.6 billion in August, as exports increased 1.5 per cent and imports declined by 0.4 per cent. Surging energy prices supported a 13 per cent increase in natural gas exports. Exports of live animals to the United States (up by over 50 per cent in August) also contributed to the gain.

The U.S. trade deficit widened to $59 billion in August. For the first eight months of 2005, the U.S. trade deficit was approximately $463 billion, up 17 per cent from the same time period in 2004.

Canada's manufacturing sector continues to tell a story of two economies. Shipments in Eastern Canada, specifically Ontario, continue to adjust to the higher Canadian dollar, with shipments up a mere 1.9% so far in 2005. In Western Canada, specifically Alberta, shipments continue to power ahead, up 11.9 per cent to-date in 2005.

Construction continues to boom in Alberta, with 47,500 (annualized) housing starts registered in August and non-residential building construction investment up 8.1 per cent to $1.2 billion in the third quarter of 2005. In the first half of 2005, non-residential construction costs have increased by over 7 per cent in Alberta. However, new house construction costs have risen by 4.7 per cent in the first eight months of 2005, less than the increase experienced in all of 2004.

Cdn Dollar (C¢/US$)

Oct 14, 2005	84.3¢
Oct 07, 2005	85.1¢
2005-06 YTD	82.0¢

WTI Oil US$/bbl

Oct 13, 2005	$63.08
Oct 06, 2005	$61.63
2005-06 YTD	$58.60

Nymex Natural Gas C$/mcf*

October Contract

Oct 14, 2005	$15.19
Oct 07, 2005	$15.50

*Estimate based on Nymex Futures Market Price

U.S. consumer prices increased by 1.2 per cent in September, driven by a 12 per cent increase in energy prices, as post-Katrina refinery shutdowns drove prices up at the pumps. Although core inflation continues to remain subdued (at 0.1 per cent), the U.S. Federal Reserve is expected to increase interest rates in the near term.

Economic Indicators Released this Week	Reference Period	Month/Previous Month	Month/Previous Year's Month	Year-to-date[1]
International Merchandise Trade ($ millions)	**August**			
Exports	37,981	1.5%	2.1%	2.0%
Imports	32,415	-0.4%	4.6%	6.7%
Trade Balance	5,567	13.8%	-10.6%	-22.1%
Housing Starts[2]	**September**			
Alberta	45,700	24.9%	22.5%	12.2%
Canada	230,500	11.8%	-2.5%	-2.2%
Manufacturing Shipments ($ millions)	**August**			
Alberta	4,863	3.2%	7.8%	11.9%
Canada	51,872	3.3%	1.6%	3.7%

Source: Statistics Canada and Canadian Mortgage and Housing Corporation

[1] *Year-to-date 2005 compared to the same time period in 2004. For example: January-September 2005 versus January-September 2004*

[2] *Seasonally Adjusted at Annual Rates*